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ANNUAL AUDITED REPORT FORM X-17A-5 PART III

SEC FILE NUMBER

8- 22567

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/03 AND ENDING 12/31/03
 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: STOFAN, AGAZZI & COMPANY INC.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

2301 GLENWOOD AVENUE

(No. and Street)

JOLIETIL60435

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

GEORGE M. STOFAN(815) 729-1266

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

SLATTERY, NOONAN & THORNTON, LLC

(Name - if individual, state last, first, middle name)

701 ESSINGTON ROAD, SUITE 100JOLIETILLINOIS60435

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

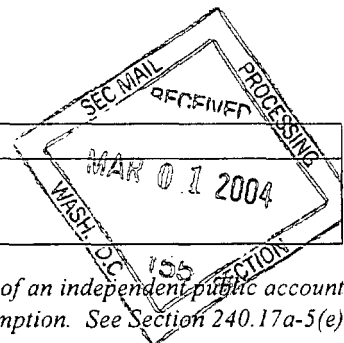
☒ Certified Public Accountant☐ Public Accountant☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 30 2004

THOMSON
FINANCIAL

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

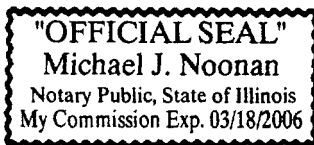
SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, GEORGE M. STOFAN, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of STOFAN, AGAZZI & COMPANY INC., as of DECEMBER 31, 2003, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

NONE



Michael J. Noonan
Notary Public

George M. Stofan
Signature
PRESIDENT
Title

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent auditor's report on internal control.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

STOFAN, AGAZZI & COMPANY INC.

**FINANCIAL REPORT
December 31, 2003 and 2002**



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Slattery, Noonan & Thornton || LLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Stofan, Agazzi & Company Inc.

We have audited the accompanying statements of financial condition of Stofan, Agazzi & Company Inc. (a Delaware Corporation) as of December 31, 2003 and 2002, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stofan, Agazzi & Company Inc. at December 31, 2003 and 2002, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on pages 12 through 36 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplemental information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Slattery, Noonan & Thornton, LLC

Joliet, Illinois
February 10, 2004

STOFAN, AGAZZI & COMPANY INC.
STATEMENTS OF FINANCIAL CONDITION
December 31, 2003 and 2002

| ASSETS | 2003 | 2002 |
|---|-------------------|-------------------|
| Current assets | | |
| Cash | \$ 94,725 | \$ 93,498 |
| Temporary investments | 150,000 | 150,000 |
| Receivables from clearing organization | 121,978 | 69,789 |
| Income tax refunds receivable | - | 2,777 |
| Prepaid expenses | 15,793 | 15,413 |
| Total current assets | <u>382,496</u> | <u>331,477</u> |
| Furniture, fixtures and leasehold improvements | | |
| Furniture and fixtures | 71,814 | 71,814 |
| Leasehold improvements | 97,042 | 97,042 |
| Total, at cost | 168,856 | 168,856 |
| Less accumulated depreciation | <u>136,571</u> | <u>132,620</u> |
| Total furniture, fixtures and leasehold improvements | <u>32,285</u> | <u>36,236</u> |
| Other assets | | |
| Investment in equity securities | 12,285 | 16,300 |
| Deposit with clearing organization | 50,000 | 50,000 |
| Segregated cash amount | 3,500 | - |
| Membership in exchange, at cost | 200 | 200 |
| Cash value of officers' life insurance | 160,599 | 153,416 |
| Total other assets | <u>226,584</u> | <u>219,916</u> |
| Total assets | <u>\$ 641,365</u> | <u>\$ 587,629</u> |

The accompanying notes are an integral part of these statements.

| LIABILITIES AND STOCKHOLDERS' EQUITY | 2003 | 2002 |
|---|----------------|----------------|
| Current liabilities | | |
| Accounts payable | \$ 3,469 | \$ 6,593 |
| Accrued expenses: | | |
| Accrued rents | 11,825 | - |
| Profit sharing | 10,443 | - |
| Other | 778 | - |
| Income taxes payable | 14,865 | 45 |
| Total current liabilities | 41,380 | 6,638 |
| Other liabilities, Special reserve account | 3,500 | - |
| Total liabilities | 44,880 | 6,638 |
| Stockholders' equity | | |
| Common stock, \$.50 par value, 1,800 shares authorized, 900 shares issued, 800 shares outstanding | 450 | 450 |
| Additional paid-in capital | 89,550 | 89,550 |
| Retained earnings | 541,782 | 526,288 |
| | 631,782 | 616,288 |
| Less: 100 shares of common stock in treasury, at cost | 35,297 | 35,297 |
| Total stockholders' equity | 596,485 | 580,991 |
| Total liabilities and stockholders' equity | \$ 641,365 | \$ 587,629 |

The accompanying notes are an integral part of these statements.

STOFAN, AGAZZI & COMPANY INC.
STATEMENTS OF INCOME
Years ended December 31, 2003 and 2002

| | 2003 | 2002 |
|---|------------------|--------------------|
| Revenues | | |
| Commissions | \$ 1,489,858 | \$ 1,543,681 |
| Miscellaneous | 6,198 | 36,417 |
| Total revenues | <u>1,496,056</u> | <u>1,580,098</u> |
| Expenses | | |
| Employee compensation, commissions and benefits | 894,556 | 968,086 |
| Ticket charges and floor brokerage | 176,048 | 196,554 |
| Payroll taxes | 52,306 | 54,329 |
| Operating expenses | <u>342,208</u> | <u>374,634</u> |
| Total expenses | <u>1,465,118</u> | <u>1,593,603</u> |
| Income (loss) before income taxes | 30,938 | (13,505) |
| PROVISION FOR INCOME TAXES, currently payable | <u>15,444</u> | <u>1,054</u> |
| NET INCOME (LOSS) | <u>\$ 15,494</u> | <u>\$ (14,559)</u> |
| EARNINGS (LOSS) PER COMMON SHARE | <u>\$ 19.37</u> | <u>\$ (18.20)</u> |

The accompanying notes are an integral part of these statements.

STOFAN, AGAZZI & COMPANY INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years ended December 31, 2003 and 2002

| | <u>Common Stock</u> | | <u>Additional Paid-In Capital</u> | <u>Retained Earnings</u> | <u>Treasury Stock</u> | |
|-------------------|---------------------|---------------|---|------------------------------|-----------------------|--------------------|
| | <u>Shares</u> | <u>Amount</u> | | | <u>Shares</u> | <u>Amount</u> |
| BALANCE AT | | | | | | |
| DECEMBER 31, 2001 | 800 | \$ 450 | \$ 89,550 | \$ 540,847 | 100 | \$ (35,297) |
| Net (loss) | | - | - | (14,559) | | - |
| BALANCE AT | | | | | | |
| DECEMBER 31, 2002 | 800 | 450 | 89,550 | 526,288 | 100 | (35,297) |
| Net income | | - | - | 15,494 | | - |
| BALANCE AT | | | | | | |
| DECEMBER 31, 2003 | <u>800</u> | <u>\$ 450</u> | <u>\$ 89,550</u> | <u>\$ 541,782</u> | <u>100</u> | <u>\$ (35,297)</u> |

The accompanying notes are an integral part of these statements.

STOFAN, AGAZZI & COMPANY INC.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2003 and 2002

| | 2003 | 2002 |
|---|------------------|------------------|
| Cash flows from operating activities | | |
| Net income (loss) | \$ 15,494 | \$ (14,559) |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation | 3,951 | 4,643 |
| (Increase) decrease in cash value of life insurance | 6,820 | (446) |
| Effects of changes in operating assets and liabilities: | | |
| Receivables from clearing organization | (52,189) | 11,024 |
| Income tax refunds receivable | 2,777 | 4,843 |
| Income taxes payable | 14,865 | - |
| Prepaid expenses | (380) | 2,078 |
| Accounts payable and accrued expenses | 19,877 | (18,304) |
| Net cash (used in) operating activities | <u>11,215</u> | <u>(10,721)</u> |
| Cash flows from investing activities | | |
| Decline in market value of equity securities | 4,015 | - |
| Premiums applied to cash value of life insurance | (14,003) | (9,101) |
| Purchases of furniture, fixtures and leasehold improvements | - | (1,235) |
| Net cash (used in) investing activities | <u>(9,988)</u> | <u>(10,336)</u> |
| Net increase (decrease) in cash | 1,227 | (21,057) |
| Cash, beginning of year | <u>93,498</u> | <u>114,555</u> |
| Cash, end of year | <u>\$ 94,725</u> | <u>\$ 93,498</u> |

The accompanying notes are an integral part of these statements.

STOFAN, AGAZZI & COMPANY INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and nature of business

Stofan, Agazzi & Company Inc. was incorporated on April 1, 1978, in the state of Delaware. The Company is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the Midwest Stock Exchange and the National Association of Securities Dealers (NASD). The Company's principal business activity is to purchase and sell securities as agent or broker for its customers consisting of individuals and various types of businesses located primarily in the Joliet, Illinois area. The Company's fiscal year ends on December 31.

Note 2. Significant accounting policies

Basis of Presentation and Commission Revenue and Expense

The Company maintains its books on the accrual basis of accounting. Securities transactions are recorded on a settlement date basis with related commission revenue and expense recorded on a trade date basis.

Concentration of Credit Risk

The Company maintains several bank accounts. The Federal Deposit Insurance Corporation (FDIC) insures accounts up to \$100,000. The Company's insured account balances at times exceed federally insured limits.

Temporary Investments

Temporary investments consist of certificates of deposit with a remaining term at December 31 of more than ninety days, and are carried at cost, which approximates market value.

Depreciation

Furniture and fixtures are depreciated using accelerated methods over their estimated useful lives which range from five to seven years. Leasehold improvements are amortized using the straight-line method over their estimated useful lives, five to thirty-nine years.

Exchange Membership

Exchange membership is recorded at cost pursuant to the rules of the Securities and Exchange Commission.

Income Taxes

The Company is taxed under the Internal Revenue Code as a Corporation. The amount of current and deferred taxes payable or refundable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates.

STOFAN, AGAZZI & COMPANY INC.

NOTES TO FINANCIAL STATEMENTS

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fully Disclosed Method of Operations

The Company transacts business on a fully disclosed basis with City Securities, Inc. of Indianapolis, Indiana. All customers' positions and balances are carried on the books of City Securities, Inc.

Advertising Costs

The Company expenses advertising costs when paid.

Reclassification

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Note 3. Membership in Exchange

The market value of the membership in exchange (Midwest Stock Exchange), which the Company owns, was \$15,000 at December 31, 2003, and \$31,000 at December 31, 2002. The market value was determined by reference to information provided by the exchange based on the last sale of a membership in 2003 and 2002.

The Company leases the membership in exchange to a third party. The lease will expire on August 20, 2004. Rental income recognized from this lease was \$9,950 and \$31,200 in 2003 and 2002, respectively.

Note 4. Officers' Life Insurance

The Company is the owner and beneficiary of life insurance policies carried on its officers. The cash surrender values and face amounts of the policies are as follows:

| Officer | Face Amount of Policies | | Cash Surrender Value | |
|------------------|-------------------------|-------------------|----------------------|-------------------|
| | 2003 | 2002 | 2003 | 2002 |
| George M. Stofan | \$ 262,500 | \$ 262,500 | \$ 125,440 | \$ 119,897 |
| Robert A. Agazzi | 159,000 | 159,000 | 35,159 | 33,519 |
| Total | <u>\$ 421,500</u> | <u>\$ 421,500</u> | <u>\$ 160,599</u> | <u>\$ 153,416</u> |

STOFAN, AGAZZI & COMPANY INC.

NOTES TO FINANCIAL STATEMENTS

Note 5. Common Stock and Earnings (Loss) Per Common Share

Earnings (loss) per common share was computed by dividing net income for the year by the weighted average number of common shares outstanding during the year, 800 shares for 2003 and 2002.

Note 6. Net Capital Requirements

The Company is subject to the Securities and Exchange Commission uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2003 and 2002, the Company had net capital, as defined, of \$545,365 and \$509,065, respectively, which exceeded the minimum net capital requirement of \$250,000 at December 31, 2003 and 2002. The Company's aggregate indebtedness to net capital ratio, as defined, was .076 to 1 and .013 to 1 at December 31, 2003 and 2002, respectively, which were below the maximum ratio allowed.

Note 7. Total Rent Expense and Lease Commitments

The Company leases office equipment and automobiles under operating leases from Stofan Leasing Company, a related party through common ownership. Future minimum lease payments under these leases are \$28,380 for of the year ending December 31, 2004.

Total rental expense under these leases was \$28,380 for each of the years ended December 31, 2003 and 2002.

The Company also rents office space from STAG Building Partnership, a related party partnership, under an informal month to month agreement requiring payments of \$7,000 per month for January 1 through March 31, 2003, and \$3,500 per month for April 1 through December 31, 2003. Total rent expense under this lease was \$52,500 for the year ended December 31, 2003 and \$80,000 for the year ended December 31, 2002.

Note 8. Advertising Costs

Total advertising costs recognized by the Company for the years ended December 31, 2003 and 2002 were \$42,602 and \$41,741, respectively.

Note 9. Retirement Plans

The Company sponsors a retirement plan which is composed of two components, a profit sharing plan and a 401(k) plan. The profit sharing plan component covers employees meeting the plan eligibility requirements. Contributions to the plan were \$4,488 and \$0 for the years ended December 31, 2003 and 2002, respectively. Under the 401(k) plan component, the Company is obligated to match 25% of the aggregate salary reduction contribution made by the employees to the extent the aggregate contribution does not exceed 5% of eligible compensation. Company contributions to the 401(k) plan were \$10,443 and \$10,537 for the years ended December 31, 2003 and 2002, respectively.

STOFAN, AGAZZI & COMPANY INC.

NOTES TO FINANCIAL STATEMENTS

Note 10. Income Taxes

A reconciliation of the provision for income taxes at the statutory federal tax rates to the Company's actual provision for income taxes is as follows:

| | <u>2003</u> | <u>2002</u> |
|--|------------------|-----------------|
| Computed at federal statutory rates | \$ 10,582 | \$ 664 |
| State income taxes, net of federal tax benefit | 4,862 | 390 |
| Nondeductible expenses | <u>-</u> | <u>-</u> |
| Total provision for income taxes | <u>\$ 15,444</u> | <u>\$ 1,054</u> |

Deferred income tax assets (liabilities) were determined to be immaterial in amount at December 31, 2003 and 2002, and were therefore not recorded for either year.

Note 11. Statements of Cash Flows Disclosures

Cash paid for income taxes was \$93 in 2003 and \$0 in 2002. There was no cash paid for interest expense in 2003 or 2002.

SUPPLEMENTAL INFORMATION

STOFAN, AGAZZI & COMPANY INC.
SCHEDULES OF OPERATING EXPENSES
Years ended December 31, 2003 and 2002

| | 2003 | 2002 |
|---|-------------------|-------------------|
| Advertising | \$ 42,602 | \$ 41,741 |
| Legal and professional fees | 9,216 | 5,069 |
| Travel, promotion and entertainment | 21,079 | 24,620 |
| Contributions | 511 | 815 |
| Dues and subscriptions | 11,588 | 16,756 |
| Insurance | 82,630 | 93,545 |
| Office supplies and postage | 18,642 | 28,030 |
| Miscellaneous, including errors and omissions | 34,763 | 8,779 |
| Rent | 52,500 | 80,000 |
| Repairs and maintenance | 6,819 | 4,479 |
| Equipment rental | 14,487 | 28,380 |
| Outside contractors | - | 331 |
| News service | 7,026 | 6,256 |
| Telephone | 7,294 | 8,588 |
| Utilities | 7,816 | 7,826 |
| Penalties | - | - |
| Registration and other fees | 14,464 | 15,222 |
| Depreciation | 3,951 | 4,643 |
| Officers' life insurance, net | 6,820 | (446) |
| | <hr/> | <hr/> |
| Total operating expenses | \$ 342,208 | \$ 374,634 |
| | <hr/> | <hr/> |

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

| | |
|---|------------------|
| OMB APPROVAL | |
| OMB Number: | 3235-0123 |
| Expires: | October 31, 2004 |
| Estimated average burden hours per response..... | 12.00 |

Form
X-17A-5

FOCUS REPORT
(Financial and Operational Combined Uniform Single Report)
PART II 11

(Please read instructions before preparing Form.)

This report is being filed pursuant to (Check Applicable Block(s)):

1) Rule 17a-5(a) ☒ 16

2) Rule 17a-5(b) ☐ 17

3) Rule 17a-11 ☐ 18

4) Special request by designated examining authority ☐ 19

5) Other ☐ 26

NAME OF BROKER-DEALER

SEC FILE NO.

STOFAN, AGAZZI & COMPANY INC. 13

8-22567 14

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.)

FIRM I.D. NO.

2301 GLENWOOD AVENUE 20

7596 15

FOR PERIOD BEGINNING (MM/DD/YY)

(No. and Street)

01/01/03 24

AND ENDING (MM/DD/YY)

JOLIET 21

IL 22

60435 23

(City)

(State)

(Zip Code)

12/31/03 25

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

(Area Code) — Telephone No.

GEORGE M. STOFAN 30

(815) 729-1266 31

NAMES OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:

OFFICIAL USE

N/A 32

33

34

35

36

37

38

39

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS? YES ☐ 40 NO ☒ 41

CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT ☒ 42

EXECUTION:

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements, and schedules remain true, correct and complete as previously submitted.

Dated the 23rd day of FEBRUARY 20 04

Manual signatures of:

1) George M. Stofan
Principal Executive Officer or Managing Partner

2) George M. Stofan
Principal Financial Officer or Partner

3) George M. Stofan
Principal Operations Officer or Partner

ATTENTION — Intentional misstatement or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78f(a))

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SEC 1695 (07-02) 1 of 28

TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

NAME (If individual, state last, first, middle name)

SLATTERY, NOONAN & THORNTON, LLC

70

ADDRESS

701 ESSINGTON RD., SUITE 100

71

JOLIET

72

IL

73

60435

74

Number and Street

City

State

Zip Code

CHECK ONE

☒ Certified Public Accountant

75

☐ Public Accountant

76

☐ Accountant not resident in United States
or any of its possessions

77

FOR SEC USE

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| WORK LOCATION | REPORT DATE MM/DD/YY | DOC. SEQ. NO. | CARD | | | | |
| 50 | 51 | 52 | 53 | | | | |

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER

STOFAN, AGAZZI & COMPANY INC.

N 2

100

STATEMENT OF FINANCIAL CONDITION

as of (MM/DD/YY) 12/31/03

SEC FILE NO. 8-22567

Consolidated ☐ 99
Unconsolidated ☒ 98

ASSETS

Allowable

Non-Allowable

Total

| | | | | | |
|--|------------|-----|---------|------------|-----|
| 1. Cash | \$ 244,725 | 200 | | \$ 244,725 | 750 |
| 2. Cash segregated in compliance with federal and other regulations | 3,500 | 210 | | 3,500 | 760 |
| 3. Receivable from brokers or dealers and clearing organizations: | | | | | |
| A. Failed to deliver: | | | | | |
| 1. Includable in "Formula for Reserve Requirements" | | 220 | | | |
| 2. Other | | 230 | | | 770 |
| B. Securities borrowed: | | | | | |
| 1. Includable in "Formula for Reserve Requirements" | | 240 | | | |
| 2. Other | | 250 | | | 780 |
| C. Omnibus accounts: | | | | | |
| 1. Includable in "Formula for Reserve Requirements" | | 260 | | | |
| 2. Other | | 270 | | | 790 |
| D. Clearing organizations: | | | | | |
| 1. Includable in "Formula for Reserve Requirements" | | 280 | | | |
| 2. Other | 50,000 | 290 | | 50,000 | 800 |
| E. Other | 121,978 | 300 | \$ 550 | 121,978 | 810 |
| 4. Receivables from customers: | | | | | |
| A. Securities accounts: | | | | | |
| 1. Cash and fully secured accounts | | 310 | | | |
| 2. Partly secured accounts | | 320 | 560 | | |
| 3. Unsecured accounts | | | 570 | | |
| B. Commodity accounts | | 330 | 580 | | |
| C. Allowance for doubtful accounts | () | 335 | () 590 | | 820 |
| 5. Receivables from non-customers: | | | | | |
| A. Cash and fully secured accounts | | 340 | | | |
| B. Partly secured and unsecured accounts | | 350 | 600 | | 830 |
| 6. Securities purchased under agreements to resell | | 360 | 605 | | 840 |
| 7. Securities and spot commodities owned, at market value: | | | | | |
| A. Bankers acceptances, certificates of deposit and commercial paper | | 370 | | | |
| B. U.S. and Canadian government obligations | | 380 | | | |
| C. State and municipal government obligations | | 390 | | | |
| D. Corporate obligations | | 400 | | | |

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER STOFAN, AGAZZI & COMPANY INC.

as of 12/31/03

STATEMENT OF FINANCIAL CONDITION

| | | ASSETS | | | | | | |
|---|---|------------|---------|---------------|-----------|--------|------------|-----|
| | | Allowable | | Non-Allowable | Total | | | |
| E. Stocks and warrants | 9 | \$ 12,285 | 410 | | | | | |
| F. Options | | | 420 | | | | | |
| G. Arbitrage | | | 422 | | | | | |
| H. Other securities | | | 424 | | | | | |
| I. Sport commodities | | | 430 | | | | | |
| | | | | \$ 12,285 | 850 | | | |
| 8. Securities owned not readily marketable: | | | | | | | | |
| A. At Cost 9 | | \$ 130 | 440 | \$ 610 | 860 | | | |
| 9. Other investments not readily marketable: | | | | | | | | |
| A. At Cost 9 | | \$ 140 | | | | | | |
| B. At estimated fair value | | | 450 | 620 | 870 | | | |
| 10. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value: | | | | | | | | |
| A. Exempted securities .. 9 | | \$ 150 | | | | | | |
| B. Other 9 | | \$ 160 | 460 | 630 | 880 | | | |
| 11. Secured demand notes- market value of collateral: | | | | | | | | |
| A. Exempted securities .. 9 | | \$ 170 | | | | | | |
| B. Other 9 | | \$ 180 | 470 | 640 | 890 | | | |
| 12. Memberships in exchanges: | | | | | | | | |
| A. Owned, at market value 9 | | \$ 15,000 | 190 | | | | | |
| B. Owned at cost | | | | 200 | 650 | | | |
| C. Contributed for use of company, at market value | | | | 12 | 660 | | | |
| | | | | | 200 | 900 | | |
| 13. Investment in and receivables from affiliates, subsidiaries and associated partnerships | | | 480 | 670 | 14 | 910 | | |
| 14. Property, furniture, equipment, leasehold improvements and rights under lease agreements: | | | | | | | | |
| At cost (net of accumulated depreciation and amortization)..... | | | 490 | 32,285 | 680 | 32,285 | 920 | |
| 15. Other Assets: | | | | | | | | |
| A. Dividends and interest receivable | | | 500 | | 690 | | | |
| B. Free shipments | | | 510 | | 700 | | | |
| C. Loans and advances | | | 520 | | 710 | | | |
| D. Miscellaneous 11 | | | 160,599 | 530 | 15,793 | 720 | 176,392 | 930 |
| 16. TOTAL ASSETS | | \$ 593,087 | 540 | 13 | \$ 48,278 | 740 | \$ 641,365 | 940 |

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER STOFAN, AGAZZI & COMPANY INC.

as of 12/31/03

STATEMENT OF FINANCIAL CONDITION

LIABILITIES AND OWNERSHIP EQUITY (continued)

| Liabilities | A.I. Liabilities* | Non-A.I. Liabilities* | Total |
|--|----------------------|--------------------------|-------------|
| 17. Bank loans payable: | | | |
| A. Includable in "Formula for Reserve Requirements" | \$ 1030 | \$ 1240 | \$ 1460 |
| B. Other | 1040 | 1250 | 1470 |
| 18. Securities sold under repurchase agreement.... | | 1260 | 1480 |
| 19. Payable to brokers or dealers and clearing organizations: | | | |
| A. Failed to receive: | | | |
| 1. Includable in "Formula for Reserve Requirements" | 1050 | 1270 | 1490 |
| 2. Other | 1060 | 1280 | 1500 |
| B. Securities loaned: | | | |
| 1. Includable in "Formula for Reserve Requirements" | 1070 | | 1510 |
| 2. Other | 1080 | 1290 | 1520 |
| C. Omnibus accounts: | | | |
| 1. Includable in "Formula for Reserve Requirements" | 1090 | | 1530 |
| 2. Other | 1095 | 1300 | 1540 |
| D. Clearing organizations: | | | |
| 1. Includable in "Formula for Reserve Requirements" | 1100 | | 1550 |
| 2. Other | 1105 | 1310 | 1560 |
| E. Other: | 1110 | 1320 | 1570 |
| 20. Payable to customers: | | | |
| A. Securities accounts-including free credits of\$ 950 | 1120 | | 1580 |
| B. Commodities accounts | 1130 | 1330 | 1590 |
| 21. Payable to non customers: | | | |
| A. Securities accounts | 1140 | 1340 | 1600 |
| B. Commodities accounts | 1150 | 1350 | 1610 |
| 22. Securities sold not yet purchased at market value-including arbitrage of\$ 960 | | 1360 | 1620 |
| 23. Accounts payable and accrued liabilities and expenses: | | | |
| A. Drafts payable | 1160 | | 1630 |
| B. Accounts payable | 3,469 | 1170 | 3,469 1640 |
| C. Income taxes payable | 14,865 | 1180 | 14,865 1650 |
| D. Deferred income taxes | | 1370 | 1660 |
| E. Accrued expenses and other liabilities | 26,546 | 1190 | 26,546 1670 |
| F. Other | 1200 | 1380 | 1680 |

OMIT PENNIES

*Brokers or Dealers electing the alternative net capital requirement method need not complete these columns.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER

STOFAN, AGAZZI & COMPANY INC.

as of 12/31/03

STATEMENT OF FINANCIAL CONDITION

LIABILITIES AND OWNERSHIP EQUITY (continued)

| Liabilities | A.I. Liabilities* | Non-A.I. Liabilities* | Total |
|---|----------------------|--------------------------|-----------------|
| 24. Notes and mortgages payable: | | | |
| A. Unsecured | \$ 1210 | | \$ 1690 |
| B. Secured | 25 1211 | 1390 | 1700 |
| 25. Liabilities subordinated to claims of general creditors: | | | |
| A. Cash borrowings: | | 1400 | 1710 |
| 1. from outsiders 24 \$ 970 | | | |
| 2. Includes equity subordination (15c3-1(d)) of \$ 980 | | | |
| B. Securities borrowings, at market value from outsiders \$ 990 | | 1410 | 1720 |
| C. Pursuant to secured demand note collateral agreements | | 1420 | 27 1730 |
| 1. from outsiders \$ 1000 | | | |
| 2. Includes equity subordination (15c3-1(d)) of \$ 1010 | | | |
| D. Exchange memberships contributed for use of company, at market value | | 26 1430 | 1740 |
| E. Accounts and other borrowings not qualified for net capital purposes | 1220 | 1440 | 1750 |
| 26. TOTAL LIABILITIES | \$ 44,880 1230 | \$ 1450 | \$ 44,880 1760 |
| Ownership Equity | | | |
| 27. Sole Proprietorship | | | \$ 1770 |
| 28. Partnership-limited partners | \$ 1020 | | \$ 1780 |
| 29. Corporation: | | | |
| A. Preferred stock | | | 1791 |
| B. Common stock | | 28 450 | 1792 |
| C. Additional paid-in capital | | 89,550 | 1793 |
| D. Retained earnings | | 541,782 | 1794 |
| E. Total | | 631,782 | 1795 |
| F. Less capital stock in treasury | | (35,297) | 1796 |
| 30. TOTAL OWNERSHIP EQUITY | | | \$ 596,485 1800 |
| 31. TOTAL LIABILITIES AND OWNERSHIP EQUITY | | | \$ 641,365 1810 |

OMIT PENNIES

*Brokers or Dealers electing the alternative net capital requirement method need not complete these columns.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER STOFAN, AGAZZI & COMPANY, INC.

as of 12/31/03

COMPUTATION OF NET CAPITAL

| | | | |
|--|----|---------|------|
| 1. Total ownership equity from Statement of Financial Condition - Item 1800 | \$ | 596,485 | 3480 |
| 2. Deduct Ownership equity not allowable for Net Capital | (| | 3490 |
| 3. Total ownership equity qualified for Net Capital | | 596,485 | 3500 |
| 4. Add: | | | |
| A. Liabilities subordinated to claims of general creditors allowable in computation of net capital | | | 3520 |
| B. Other (deductions) or allowable credits (List) | | | 3525 |
| 5. Total capital and allowable subordinated liabilities | \$ | 596,485 | 3530 |
| 6. Deductions and/or charges: | | | |
| A. Total nonallowable assets from | | | |
| Statement of Financial Condition (Notes B and C) | \$ | 48,278 | 3540 |
| 1. Additional charges for customers' and non-customers' security accounts | \$ | | 3550 |
| 2. Additional charges for customers' and non-customers' commodity accounts | | | 3560 |
| B. Aged fail-to-deliver | | | 3570 |
| 1. Number of items | 29 | 3450 | |
| C. Aged short security differences-less reserve of | \$ | 3460 | 3580 |
| number of items | | 3470 | |
| D. Secured demand note deficiency | | | 3590 |
| E. Commodity futures contracts and spot commodities - proprietary capital charges | | | 3600 |
| F. Other deductions and/or charges | | | 3610 |
| G. Deductions for accounts carried under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x) | | | 3615 |
| H. Total deductions and/or charges | (| 48,278 | 3620 |
| 7. Other additions and/or allowable credits (List) | | | 3630 |
| 8. Net capital before haircuts on securities positions | \$ | 548,207 | 3640 |
| 9. Haircuts on securities: (computed, where applicable, pursuant to 15c3-1(f)): | | | |
| A. Contractual securities commitments | \$ | 1,000 | 3660 |
| B. Subordinated securities borrowings | | | 3670 |
| C. Trading and investment securities: | | | |
| 1. Bankers' acceptances, certificates of deposit and commercial paper | 31 | | 3680 |
| 2. U.S. and Canadian government obligations | | | 3690 |
| 3. State and municipal government obligations | | | 3700 |
| 4. Corporate obligations | | | 3710 |
| 5. Stocks and warrants | | | 3720 |
| 6. Options | | | 3730 |
| 7. Arbitrage | | | 3732 |
| 8. Other securities | 32 | 1,843 | 3734 |
| D. Undue Concentration | | | 3650 |
| E. Other (List) | | | 3736 |
| | (| 2,843 | 3740 |
| 10. Net Capital | \$ | 545,364 | 3750 |

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER STOFAN, AGAZZI & COMPANY INC.

as of 12/31/03

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Part A

| | | | |
|---|----|---------|------|
| 11. Minimum net capital required (6 $\frac{2}{3}$ % of line 19) | \$ | 2,759 | 3756 |
| 12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) | \$ | 250,000 | 3758 |
| 13. Net capital requirement (greater of line 11 or 12) | \$ | 250,000 | 3760 |
| 14. Excess net capital (line 10 less 13) | \$ | 295,364 | 3770 |
| 15. Excess net capital at 1000% (line 10 less 10% of line 19) | \$ | 541,226 | 3780 |

COMPUTATION OF AGGREGATE INDEBTEDNESS

| | | | |
|--|----|--------|------|
| 16. Total A.I. liabilities from Statement of Financial Condition | \$ | 44,880 | 3790 |
| 17. Add: | | | |
| A. Drafts for immediate credit | \$ | 3800 | |
| B. Market value of securities borrowed for which no equivalent value is paid or credited | \$ | 3810 | |
| C. Other unrecorded amounts (List) | \$ | 3820 | 3830 |
| 18. Deduct: Adjustment based on deposits in Special Reserve Bank Accounts (15c3-1(c)(1)(vii)) | \$ | 3,500 | 3838 |
| 19. Total aggregate indebtedness | \$ | 41,380 | 3840 |
| 20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10) | % | 7.6 | 3850 |
| 21. Percentage of aggregate indebtedness to net capital <i>after</i> anticipated capital withdrawals (line 19 ÷ by line 10 less Item 4880 page 25) | % | 7.6 | 3853 |

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B

| | | | |
|---|----|------|--|
| 22. 2% of combined aggregate debt items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits | \$ | 3870 | |
| 23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) | \$ | 3880 | |
| 24. Net capital requirement (greater of line 22 or 23) | \$ | 3760 | |
| 25. Excess net capital (line 10 less 24) | \$ | 3910 | |
| 26. Percentage of Net Capital to Aggregate Debits (line 10 ÷ by line 17 page 8) | % | 3851 | |
| 27. Percentage of Net Capital, <i>after</i> anticipated capital withdrawals, to Aggregate Debits (line 10 less item 4880 page 11 ÷ by line 17 page 8) | % | 3854 | |
| 28. Net capital in excess of the greater of: | | | |
| A. 5% of combines aggregate debit items or \$120,000 | \$ | 3920 | |

OTHER RATIOS

Part C

| | | | |
|--|---|------|--|
| 29. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d) | % | 3860 | |
| 30. Options deductions/Net Capital ratio (1000% test) total deductions exclusive of liquidating equity under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x) ÷ Net Capital | % | 3852 | |

NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
 2. 6 $\frac{2}{3}$ % of aggregate indebtedness or 2% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand notes covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

PART II - FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

| | | |
|---|---|------|
| BROKER OR DEALER STOFAN, AGAZZI & COMPANY INC. | For the period (MMDDYY) from <u>01/01/03</u> to <u>12/31/03</u> | 3933 |
| | Number of months included in this statement <u>12</u> | 3931 |

STATEMENT OF INCOME (LOSS)

REVENUE

| | | | |
|---|----|-----------|------|
| 1. Commissions: | | | |
| a. Commissions on transactions in listed equity securities executed on an exchange | \$ | 478,355 | 3935 |
| b. Commissions on transactions in exchange listed equity securities executed over-the-counter | | 171,271 | 3937 |
| c. Commissions on listed option transactions | | 62,767 | 3938 |
| d. All other securities commissions | | 99,103 | 3939 |
| e. Total securities commissions | 40 | | 3940 |
| 2. Gains or losses on firm securities trading accounts | | | |
| a. From market making in over-the-counter equity securities | | | 3941 |
| 1. Includes gains or (losses) OTC market making in exchange listed equity securities | | 3943 | |
| b. From trading in debt securities | | | 3944 |
| c. From market making in options on a national securities exchange | | | 3945 |
| d. From all other trading | | | 3949 |
| e. Total gains or (losses) | | | 3950 |
| 3. Gains or losses on firm securities investment accounts | | | |
| a. Includes realized gains (losses) | | 4235 | |
| b. Includes unrealized gains (losses) | | 4236 | |
| c. Total realized and unrealized gains (losses) | 41 | | 3952 |
| 4. Profits or (losses) from underwriting and selling groups | | | 3955 |
| a. Includes underwriting income from corporate equity securities | | 4237 | |
| 5. Margin interest | | | 3960 |
| 6. Revenue from sale of investment company shares | | 527,791 | 3970 |
| 7. Fees for account supervision, investment advisory and administrative services | | | 3975 |
| 8. Revenue from research services | | | 3980 |
| 9. Commodities revenue | | | 3990 |
| 10. Other revenue related to securities business | 42 | | 3985 |
| 11. Other revenue | | 156,769 | 3995 |
| 12. Total revenue | | 1,496,056 | 4030 |

EXPENSES

| | | | |
|---|----|-----------|------|
| 13. Registered representative's compensation | \$ | 455,996 | 4110 |
| 14. Clerical and administrative employees' expenses | | 154,994 | 4040 |
| 15. Salaries and other employment costs for general partners, and voting stockholder officers | | 268,635 | 4120 |
| a. Includes interest credited to General and Limited Partners capital accounts | | 4130 | |
| 16. Floor brokerage paid to certain brokers (see definition) | | | 4055 |
| 17. Commissions and clearance paid to all other brokers (see definition) | 43 | | 4145 |
| 18. Clearance paid to non-brokers (see definition) | | | 4135 |
| 19. Communications | | | 4060 |
| 20. Occupancy and equipment costs | | | 4080 |
| 21. Promotional costs | | | 4150 |
| 22. Interest expense | | | 4075 |
| a. Includes interest on accounts subject to subordination agreements | | 4070 | |
| 23. Losses in error account and bad debts | | | 4170 |
| 24. Data processing costs (including service bureau service charges) | 44 | | 4186 |
| 25. Non-recurring charges | | | 4190 |
| 26. Regulatory fees and expenses | | 14,464 | 4195 |
| 27. Other expenses | | 575,891 | 4100 |
| 28. Total expenses | | 1,469,980 | 4200 |

NET INCOME

| | | | |
|--|----|--------|------|
| 29. Income (loss) before Federal income taxes and items below (Item 12 less Item 28) | | 26,076 | 4210 |
| 30. Provision for Federal income taxes (for parent only) | | 10,582 | 4220 |
| 31. Equity in earnings (losses) of unconsolidated subsidiaries not included above | 45 | | 4222 |
| a. After Federal income taxes of | 39 | 4238 | |
| 32. Extraordinary gains (losses) | | | 4224 |
| a. After Federal income taxes of | | 4239 | |
| 33. Cumulative effect of changes in accounting principles | | | 4225 |
| 34. Net income (loss) after Federal income taxes and extraordinary items | | 15,494 | 4230 |

MONTHLY INCOME

| | | | |
|---|----|--|------|
| 35. Income (current month only) before provision for Federal income taxes and extraordinary items | \$ | | 4211 |
|---|----|--|------|

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER

STOFAN, AGAZZI & COMPANY INC.

as of 12/31/03

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS FOR BROKER-DEALERS UNDER RULE 15c3-3 (See Rule 15c3-3, Exhibit A and Related Notes)

CREDIT BALANCES

| | | |
|--|-------|------|
| 1. Free credit balances and other credit balances in customers' security accounts (see Note A, Exhibit A, Rule 15c3-3) | 46 \$ | 4340 |
| 2. Monies borrowed collateralized by securities carried for the accounts of customers (see Note B) | | 4350 |
| 3. Monies payable against customers' securities loaned (see Note C) | | 4360 |
| 4. Customers' securities failed to receive (see Note D) | | 4370 |
| 5. Credit balances in firm accounts which are attributable to principal sales to customers | | 4380 |
| 6. Market value of stock dividends, stock splits and similar distributions receivable outstanding over 30 calendar days | | 4390 |
| 7. **Market value of short security count differences over 30 calendar days old | | 4400 |
| 8. **Market value of short securities and credits (not to be offset by logs or by debits) in all suspense accounts over 30 calendar days | 47 | 4410 |
| 9. Market value of securities which are in transfer in excess of 40 calendar days and have not been confirmed to be in transfer by the transfer agent or the issuer during the 40 days | | 4420 |
| 10. Other (List) | | 4425 |
| 11. TOTAL CREDITS | \$ | 4430 |

DEBIT BALANCES

| | | |
|---|-----|------|
| 12. **Debit balances in customers' cash and margin accounts excluding unsecured accounts and accounts doubtful of collection net of deductions pursuant to Note E, Exhibit A, Rule 15c3-3 | \$ | 4440 |
| 13. Securities borrowed to effectuate short sales by customers and securities borrowed to make delivery on customers' securities failed to deliver | | 4450 |
| 14. Failed to deliver of customers' securities not older than 30 calendar days | | 4460 |
| 15. Margin required and on deposit with Options Clearing Corporation for all option contracts written or purchased in customer accounts (see Note F) | | 4465 |
| 16. Other (List) | 48 | 4469 |
| 17. **Aggregate debit items | \$ | 4470 |
| 18. **Less 3% (for alternative method only—see Rule 15c3-1(f)(5)(i)) | () | 4471 |
| 19. **TOTAL 14c3-3 DEBITS | \$ | 4472 |

RESERVE COMPUTATION

| | | |
|---|-------|------|
| 20. Excess of total debits over total credits (line 19 less line 11) | 49 \$ | 4480 |
| 21. Excess of total credits over total debits (line 11 less line 19) | | 4490 |
| 22. If computation permitted on a monthly basis, enter 105% of excess of total credits over total debits | | 4500 |
| 23. Amount held on deposit in "Reserve Bank Account(s)," including value of qualified securities, at end of reporting period | | 4510 |
| 24. Amount of deposit (or withdrawal) including \$ 4515 value of qualified securities | | 4520 |
| 25. New amount in Reserve Bank Account(s) after adding deposit or subtracting withdrawal including \$ 4525 value of qualified securities | \$ | 4530 |
| 26. Date of deposit (MMDDYY) | | 4540 |

FREQUENCY OF COMPUTATION

27. Daily 50 4332 Weekly 4333 Monthly 4334

** In the event the Net Capital Requirement is computed under the alternative method, this "Reserve Formula" shall be prepared in accordance with the requirements of paragraph (f) of Rule 15c3-1.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER **STOFAN, AGAZZI & COMPANY INC.**

as of 12/31/03

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS FOR BROKER-DEALERS UNDER RULE 15c3-3 (continued)

EXEMPTIVE PROVISIONS

28. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based (check only one)

- | | | |
|---|------|--------|
| A. (k)(1) — \$2,500 capital category as per Rule 15c3-1 | \$ | 4550 |
| B. (k)(2)(A) — "Special Account for the Exclusive Benefit of customers" maintained | | 4560 |
| C. (k)(2)(B) — All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm ³ : <u>8-975 CITY SECURITIES CORPORATION</u> | 4335 | X 4570 |
| D. (k)(3) — Exempted by order of the Commission | | 4580 |

Information for Possession or Control Requirements Under Rule 15c3-3

State the market valuation and number of items of:

1. Customers' fully paid securities and excess margin securities not in the respondent's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date) but for which the required action was not taken by respondent within the time frame specified under Rule 15c3-3. Notes A and B \$ 4586
 - A. Number of items 4587
2. Customers' fully paid securities and excess margin securities for which instructions to reduce possession or control had not been issued as of the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3. Notes B, C and D \$ 4588
 - A. Number of items 4589

OMIT PENNIES
3. The system and procedures utilized in complying with the requirement to maintain physical possession or control of customers' fully paid and excess margin securities have been tested and are functioning in a manner adequate to fulfill the requirements of Rule 15c3-3 Yes 4584 No 4585

NOTES

- A—Do not include in item one customers' fully paid and excess margin securities required by Rule 15c3-3 to be in possession or control but for which no action was required by the respondent as of the report date or required action was taken by respondent within the time frames specified under Rule 15c3-3.
- B—State separately in response to items one and two whether the securities reported in response thereto were subsequently reduced to possession or control by the respondent.
- C—Be sure to include in item two only items not arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3.
- D—Item two must be responded to only with report which is filed as of the date selected for the broker's or dealer's annual audit of financial statements, whether or not such date is the end of a calendar quarter. The response to item two should be filed within 60 calendar days after such date, rather than with the remainder of this report. This information may be required on a more frequent basis by the Commission or the designated examining authority in accordance with Rule 17a-5(a)(2)(iv).

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER STOFAN, AGAZZI & COMPANY INC.

as of 12/31/03

SCHEDULE OF SEGREGATION REQUIREMENTS AND FUNDS IN SEGREGATION

CUSTOMER'S REGULATED COMMODITY FUTURES ACCOUNTS

SEGREGATION REQUIREMENTS

| | |
|---|------|
| 1. Net ledger balance: | |
| A. Cash | 7010 |
| B. Securities (at market) | 7020 |
| 2. Net unrealized profit (loss) in open futures contracts traded on a contract market | 7030 |
| 3. Exchange traded options: | |
| A. Add: Market Value of an open option contracts purchased on a contract market | 7032 |
| B. Deduct: Market Value of an open option contracts granted (sold) on a contract market | 7033 |
| 4. Net equity (deficit) (total of 1, 2 and 3) | 7040 |
| 5. Add accounts liquidating to a deficit and accounts with debit balances with no open trades | 7050 |
| 6. Amount required to be segregated (total of 5 and 4) | 7060 |

FUNDS ON DEPOSIT IN SEGREGATION

| | |
|--|---------|
| 7. Deposited in segregated funds bank accounts: | |
| A. Cash | 7070 |
| B. Securities representing investments of customers' fund (at market) | 7080 |
| C. Securities held in particular customers or option customers in lieu of cash (at market) | 7090 |
| 8. Margin on deposits with clearing organizations of contract markets: | |
| A. Cash | 7100 |
| B. Securities representing investments of customers' fund (at market) | 7110 |
| C. Securities held in particular customers or option customers in lieu of cash (at market) | 7120 |
| 9. Settlement due from (to) clearing organizations of contract markets | 7130 |
| 10. Exchange traded options: | |
| A. Add: Unrealized receivables for option contracts purchased on contract markets | 7132 |
| B. Deduct: Unrealized obligations for option contracts granted (sold) on contract markets | 7133 |
| 11. Net equities with other FCMS | 7140 |
| 12. Segregated funds on hand: | |
| A. Cash | 7150 |
| B. Securities representing investments of customers' funds (at market) | 7160 |
| C. Securities held for particular customers in lieu of cash (at market) | 7170 |
| 13. Total amount in segregation *total of 7 through 12) | \$ 7180 |
| 14. Excess (insufficiency) funds in segregation (13 minus 6) | \$ 7190 |

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER STOFAN, AGAZZI & COMPANY INC.

as of 12/31/03

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

| Type of Proposal Withdrawal or Accrual See below for code to enter | Name of Lender or Contributor | Insider or Outsider? (In or Out) | Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities) | (MMDDYY) Withdrawal or Maturity Date | Expect to Renew (Yes or No) | |
|--|-------------------------------|--|---|---|--------------------------------------|------|
| 54 | 4600 | 4601 | 4602 \$ | 4603 | 4604 | 4605 |
| 55 | 4610 | 4611 | 4612 | 4613 | 4614 | 4615 |
| 56 | 4620 | 4621 | 4622 | 4623 | 4624 | 4625 |
| 57 | 4630 | 4631 | 4632 | 4633 | 4634 | 4635 |
| 58 | 4640 | 4641 | 4642 | 4643 | 4644 | 4645 |
| 59 | 4650 | 4651 | 4652 | 4653 | 4654 | 4655 |
| 60 | 4660 | 4661 | 4662 | 4663 | 4664 | 4665 |
| 61 | 4670 | 4671 | 4672 | 4673 | 4674 | 4675 |
| 62 | 4680 | 4681 | 4682 | 4683 | 4684 | 4685 |
| 63 | 4690 | 4691 | 4692 | 4693 | 4694 | 4695 |
| Total \$ | | | 64 | 4699* | | |

OMIT PENNIES

* To agree with the total on Recap (Item No. 4880)

Instructions: Detail Listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and payments of liabilities secured by fixed assets (which are considered allowable assets in the capital computation pursuant to Rule 15c3-1(c)(2)(iv)), which could be required by the lender on demand or in less than six months.

| WITHDRAWAL CODE: | DESCRIPTIONS |
|------------------|------------------------------|
| 1. | Equity Capital |
| 2. | Subordinated Liabilities |
| 3. | Accruals |
| 4. | 15c3-1(c)(2)(iv) Liabilities |

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

Capital Withdrawals

PART II

BROKER OR DEALER **STOFAN, AGAZZI & COMPANY INC.**

as of 12/31/03

RECAP

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

1. Equity Capital

A. Partnership Capital:

| | | |
|---------------------------------|-------|------|
| 1. General Partners | 65 \$ | 4700 |
| 2. Limited | | 4710 |
| 3. Undistributed Profits | | 4720 |
| 4. Other (describe below) | | 4730 |
| 5. Sole Proprietorship | | 4735 |

B. Corporation Capital:

| | | |
|--|----|------|
| 1. Common Stock | | 4740 |
| 2. Preferred Stock | | 4750 |
| 3. Retained Earnings (Dividends and Other) | 66 | 4760 |
| 4. Other (describe below) | | 4770 |

2. Subordinated Liabilities

| | | |
|---------------------------------|--|------|
| A. Secured Demand Notes | | 4780 |
| B. Cash Subordinates | | 4790 |
| C. Debentures | | 4800 |
| D. Other (describe below) | | 4810 |

3. Other Anticipated Withdrawals

| | | |
|---|----|------|
| A. Bonuses | | 4820 |
| B. Voluntary Contributions to Pension or Profit Sharing Plans | 67 | 4860 |
| C. Other (describe below) | | 4870 |
| Total | | |

\$ 4880

4. Description of Other

STATEMENT OF CHANGES IN OWNERSHIP EQUITY (SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)

| | | | |
|---|----|---------|---------|
| 1. Balance, beginning of period | \$ | 580,991 | 4240 |
| A. Net income (loss) | | 15,494 | 4250 |
| B. Additions (includes non-conforming capital of | \$ | 4263 | 68 4260 |
| C. Deductions (includes non-conforming capital of | \$ | 4272 | 4270 |
| 2. Balance, end of period (From Item 1800) | \$ | 596,485 | 4290 |

STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

| | | | |
|--|----|---|------|
| 3. Balance, beginning of period | \$ | 0 | 4300 |
| A. Increases | | | 4310 |
| B. Decreases | | | 4320 |
| 4. Balance, end of period (From Item 3520) | \$ | 0 | 4330 |

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER

STOFAN, AGAZZI & COMPANY INC.

as of 12/31/03

FINANCIAL AND OPERATIONAL DATA

1. Month end total number of stock record breaks unresolved over three business days

| | Valuation | Number |
|-----------------------|-----------|--------|
| A. breaks long | \$ 4890 | 4900 |
| B. breaks short | \$ 4910 | 4920 |
2. Is the firm in compliance with Rule 17a-13 regarding periodic count and verification of securities positions and locations at least once in each calendar quarter?
(Check one) Yes ☒ 4930 No ☐ 4940
3. Personnel employed at end of reporting period:

| | | |
|---|----|------|
| A. Income producing personnel | 9 | 4950 |
| B. Non-income producing personnel (all other) | 5 | 4960 |
| C. Total | 14 | 4970 |
4. Actual number of tickets executed during current month of reporting period 993 4980
5. Number of corrected customer confirmations mailed after settlement date 4990

| | No. of Items | Debit (Short Value) | No. of Items | Credit (Long Value) |
|---|--------------|------------------------|--------------|------------------------|
| 6. Money differences | 5000 | \$ 5010 | 5020 | \$ 5030 |
| 7. Security suspense accounts | 5040 | \$ 5050 | 5060 | \$ 5070 |
| 8. Security difference accounts | 5080 | \$ 5090 | 5100 | \$ 5110 |
| 9. Commodity suspense accounts | 5120 | \$ 5130 | 5140 | \$ 5150 |
| 10. Open transactions with correspondents, other brokers, clearing organizations, depositories and interoffice and inter- company accounts which could result in a charge — unresolved amounts over 30 calendar days | 5160 | \$ 5170 | 5180 | \$ 5190 |
| 11. Bank account reconciliations — unresolved amounts over 30 calendar days | 5200 | \$ 5210 | 5220 | \$ 5230 |
| 12. Open transfers over 40 calendar days, not confirmed | 5240 | \$ 5250 | 5260 | \$ 5270 |
| 13. Transactions in reorganization accounts — over 60 calendar days | 5280 | \$ 5290 | 5300 | \$ 5310 |
| 14. Total | 5320 | \$ 5330 | 5340 | \$ 5350 |

| | No. of Items | Leger Amount | Market Value |
|--|--------------|--------------|--------------|
| 15. Failed to deliver 11 business days or longer (21 Business Days or longer in the case of Municipal Securities) | 5360 | \$ 5361 | 5362 |
| 16. Failed to receive 11 business days or longer (21 business Days or longer in the case of Municipal Securities) | 5363 | \$ 5364 | 5365 |
| 17. Security concentrations (See instructions in Part I): | | | |
| A. Proprietary positions | | \$ | 5370 |
| B. Customers' accounts under Rule 15c3-3 | | \$ | 5374 |
| 18. Total of personal capital borrowings due within six months | | \$ | 5378 |
| 19. Maximum haircuts on underwriting commitments during the period | | \$ | 5380 |
| 20. Planned capital expenditures for business expansion during next six months | | \$ | 5382 |
| 21. Liabilities of other individuals or organizations guaranteed by respondent | | \$ | 5384 |
| 22. Lease and rentals payable within one year | | \$ | 5386 |
| 23. Aggregate lease and rental commitments payable for entire term of the lease | | | |
| A. Gross | | \$ | 5388 |
| B. Net | | \$ | 5390 |

OMIT PENNIES

STOFAN, AGAZZI & COMPANY INC.
DIFFERENCES IN COMPUTATION OF NET CAPITAL AND AGGREGATE
INDEBTEDNESS FROM DEALER'S UNAUDITED COMPUTATION
December 31, 2003 and 2002

| | <u>2003</u> | | <u>2002</u> | |
|---|------------------------|-----------------------------------|------------------------|-----------------------------------|
| | <u>Net Capital</u> | <u>Aggregate Indebtedness</u> | <u>Net Capital</u> | <u>Aggregate Indebtedness</u> |
| Balance per dealer's unaudited computation (unaudited) | \$ 512,134 | \$ 33,758 | \$ 464,138 | \$ 48,301 |
| Reconciling items: | | | | |
| Net audit adjustments | 33,230 | 7,622 | 44,927 | (41,663) |
| Non-allowable assets erroneously reported as allowable | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Balance per audited financial statements less non-allowable assets | <u>\$ 545,364</u> | <u>\$ 41,380</u> | <u>\$ 509,065</u> | <u>\$ 6,638</u> |

| OMB APPROVAL | |
|---|------------------|
| OMB Number: | 3235-0123 |
| Expires: | October 31, 2004 |
| Estimated average burden hours per response..... | 12.00 |

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FOCUS REPORT

FORM X-17A-5

SCHEDULE I

(To be filed annually as of the end of calendar year)

Contents

Schedule I INFORMATION REQUIRED OF ALL BROKERS AND DEALERS PURUSANT TO RULE 17a-5

* * * * *

STOFAN, AGAZZI & COMPANY INC.

Name of Respondent

Persons who are to respond to the collection of information
contained in this form are not required to respond unless the
form displays a currently valid OMB control number.

SEC1675 (6-02) 1 of 7

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

| | |
|---|------------------|
| OMB APPROVAL | |
| OMB Number: | 3235-0123 |
| Expires: | October 31, 2004 |
| Estimated average burden hours per response..... | 12.00 |

Form
X-17A-5

FOCUS REPORT
(Financial and Operational Combined Uniform Single Report)
Schedule I

INFORMATION REQUIRED OF BROKERS AND DEALERS PURSUANT TO RULE 17a-5
Report for the Calendar Year 20 03 ☐ **8004**
of if less than 12 months

Report for the period beginning / / **8005** and ending / / **8006**
MM DD YY MM DD YY

| |
|----------------------|
| SEC FILE NUMBER |
| 8- 22567 8011 |

1. NAME OF BROKER DEALER

☐ STOFAN, AGAZZI & COMPANY INC. **8020** **N9** **8021**
Firm No. M M Y Y

OFFICIAL USE ONLY

2. Name(s) of Broker-dealer(s) merging with respondent during reporting period:

| | | OFFICIAL USE ONLY |
|--|-------------|--------------------------------------|
| <input type="checkbox"/> <u>NAME: NONE</u> | 8053 | <input type="checkbox"/> 8057 |
| <input type="checkbox"/> <u>NAME:</u> | 8054 | <input type="checkbox"/> 8058 |
| <input type="checkbox"/> <u>NAME:</u> | 8055 | <input type="checkbox"/> 8059 |
| <input type="checkbox"/> <u>NAME:</u> | 8056 | <input type="checkbox"/> 8060 |

3. Respondent conducts a securities business exclusively with registered broker-dealers:
(enter applicable code: 1 = Yes 2 = No) 1 **8073**

4. Respondent is registered as a specialist on a national securities exchange.
(enter applicable code: 1 = Yes 2 = No) 2 **8074**

5. Respondent is registered as a specialist on a national securities exchange:
(a) equity securities (enter applicable code: 1 = Yes 2 = No) 2 **8075**
(b) municipals (enter applicable code: 1 = Yes 2 = No) 2 **8076**
(a) other debt instruments (enter applicable code: 1 = Yes 2 = No) 2 **8077**

6. Respondent is registered solely as a municipal bond dealer:
(enter applicable code: 1 = Yes 2 = No) 2 **8078**

7. Respondent is an insurance company or an affiliate of an insurance company:
(enter applicable code: 1 = Yes 2 = No) 2 **8079**

8. Respondent carries its own public customer accounts:
(enter applicable code: 1 = Yes 2 = No) 2 **8084**

9. Respondent's total number of public customer accounts:
(carrying firms filing X-17A-5 Part II only)
(a) Public customer accounts **8080**
(b) Omnibus accounts **8081**

10. Respondent clears its public customer and/or proprietary accounts:
(enter applicable code: 1 = Yes 2 = No) 2 **8085**

FOCUS REPORT

Schedule I

page 2

11. Respondent clears its public customer accounts in the following manner:

(enter a "1" in appropriate boxes)

- (a) Direct Mail (New York Stock Exchange Members Only) 8086
- (b) Self-Clearing 8087
- (c) Omnibus 8088
- (d) Introducing 8089
- (e) Other 8090

If Other please describe:

- (f) Not applicable 1 8091

12. (a) Respondent maintains membership(s) on national securities exchange(s):

(enter applicable code: 1 = Yes 2 = No)

1 8100

(b) Names of national securities exchange(s) in which respondent maintains memberships:

(enter a "1" in appropriate boxes)

- (1) American 8120
- (2) Boston 8121
- (3) CBOE 8122
- (4) Midwest 1 8123
- (5) New York 8124
- (6) Philadelphia 8125
- (7) Pacific Coast 8126
- (8) Other 8129

13. Employees:

- (a) Number of full-time employees 9 8101

- (b) Number of full-time registered representatives employed by respondent included in 13(a) 7 8102

14. Number of NASDAQ stocks respondent makes market 11 8103

15. Total number of underwriting syndicates respondent was a member 8104

(Carrying or clearing firms filing X-17A-5 Part II)

16. Number of respondent's public customer transactions: Actual 8105

Estimate 8106

- (a) equity securities transactions effected on a national securities exchange 8107

- (b) equity securities transactions effected other than on a national securities exchange 8108

- (c) commodity, bond, option, and other transactions effected on or off a national securities exchange 8109

FOCUS REPORT

Schedule I

page 3

17. Respondent is a member of the Securities Investor Protection Corporation

(enter applicable code: 1 = Yes 2 = No) ...

▼¹³

1 8111

18. Number of branch offices operated by respondent

8112

19. (a) Respondent directly or indirectly controls, is controlled by, or is under common control with, a U.S. bank

(enter applicable code: 1 = Yes 2 = No)

2 8130

(b) Name of parent or affiliate

8131

(c) Type of institution

8132

20. Respondent is an affiliate or subsidiary of a foreign broker-dealer or bank

(enter applicable code: 1 = Yes 2 = No)

2 8113

21. (a) Respondent is a subsidiary of a registered broker-dealer

(enter applicable code: 1 = Yes 2 = No)

2 8114

(b) Name of parent

8116

22. Respondent is a subsidiary of a parent which is not a registered broker or dealer

(enter applicable code: 1 = Yes 2 = No)

2 8115

23. Respondent sends quarterly statements to customers pursuant to 10b-10(b) in lieu of daily or immediate confirmations:

(enter applicable code: 1 = Yes 2 = No)*

2 8117

24. Aggregate Dollar Amount of Non-exempted OTC Sales of Exchange-Listed Securities Done by Respondent During the Reporting Period

\$ 8118

*Required in any Schedule I filed for calendar year 1978 and succeeding years

Slattery, Noonan & Thornton LLC

**Independent Auditor's Report on Internal Control
Required by Securities Exchange Commission Rule 17a-5**

To the Board of Directors
of Stofan, Agazzi & Company Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Stofan, Agazzi & Company Inc. (the Company), for the year ended December 31, 2003, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons.
2. Recordation of differences required by rule 17a-13.
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or

disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2003, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, Securities Investors Protection Corporation, the New York Stock Exchange, the Midwest Stock Exchange, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Slattery, Moran & Thornton, LLC

Joliet, Illinois
February 10, 2004